

REPORT OF
PRE-LICENSING EXAMINATION

Farm Bureau New Horizons
Insurance Company of Missouri

AS OF
September 30, 2005



STATE OF MISSOURI
DEPARTMENT OF INSURANCE
JEFFERSON CITY, MISSOURI

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October 25, 2005
Jefferson City, MO

Honorable W. Dale Finke, Director
Missouri Department of Insurance
301 West High Street, Room 530
Jefferson City, Missouri 65101

Sir:

In accordance with your financial examination warrant, a pre-licensing examination has been made of the records, affairs and financial condition of

Farm Bureau New Horizons Insurance Company of Missouri

hereinafter referred to as "New Horizons" or as "the Company". Its main administrative office is located at 701 South Country Club Drive, Jefferson City, Missouri 65109 and its telephone number is (573) 893-1525. This report of the pre-licensing examination, which commenced on October 19, 2005, and was finalized on October 25, 2005, is respectfully submitted.

SCOPE OF EXAMINATION

Procedures

This pre-licensing examination was conducted using the guidelines set forth in the Financial Condition Examiners Handbook of the National Association of Insurance Commissioners (NAIC), except where practices, procedures and applicable regulations of the Missouri Department of Insurance and statutes of the state of Missouri prevailed. Financial information as of September 30, 2005, was evaluated during this examination.

HISTORY

General

Farm Bureau New Horizons Insurance Company of Missouri was organized on July 18, 2005, and received a certificate of incorporation from the Missouri Secretary of State on August 17, 2005. The Company has applied for a certificate of authority to operate as a multi-line property and casualty insurance company under Chapter 379.010 to 379.105 RSMo, and is awaiting approval. The Company is equally owned by its stockholders – Farm Bureau Life Insurance Company of Missouri, Farm Bureau Town & Country Insurance Company of Missouri, and Missouri Farm Bureau Insurance Brokerage, Inc.

Capital Stock

Pursuant to its articles of incorporation, the Company is authorized to issue up to 120,000 shares of common stock with a par value of \$10 per share. On August 31, 2005 the stockholders named above each purchased 40,000 shares for a price of \$2,000,000. Therefore, the Company shall commence business with a paid-in capital of \$1,200,000 and a paid-in surplus of \$4,800,000.

Pursuant to Section 379.010 RSMo (Authorized lines of business; capital and surplus requirements), the Company must have capital of at least \$1,200,000 and surplus of at least \$1,200,000 in order to obtain a certificate of authority. The Company meets these requirements.

Management

The articles of incorporation call for a board of directors consisting of not less than nine or more than twenty-five persons. The Company's bylaws stipulate that the board of directors shall be comprised of one non-voting director, ten voting directors, a Vice President and President, for a total of twelve voting directors who shall be selected by the shareholders.

The directors elected and serving as of the examination date are as follows:

<u>Name</u>	<u>Principal Occupation</u>
Mr. William Carlton Bastin, Jr.	Farmer
Mr. Gary Glenn Branum	Farmer
Ms. Jami Margaret Geske	Farmer
Mr. Ronald George Hardecke	Farmer
Mr. Todd Philip Hays	Farmer
Mr. Charles Blake Hurst	Vice Pres. Missouri Farm Bureau Federation
Mr. Leon Kriesler	Farmer
Mr. Charles Edward Kruse	President Missouri Farm Bureau Federation
Mr. Paul Wagner LePage	Farmer
Ms. Janet Ann Mershon	Farmer
Mr. Johnnie Dwayne Schad	Farmer
Mr. Hal Robbins Swaney	Farmer
Mr. Kevin Chinn	Farmer

The officers serving as of the examination date are as follows:

<u>Name</u>	<u>Office</u>
Mr. Charles Edward Kruse	President
Mr. Daniel Lawrence Cassidy	Secretary
Mr. Randall Joseph Campbell	Treasurer

These individuals are also officers of Farm Bureau Town & Country Insurance Company of Missouri.

Conflict of Interest

All officers and directors of this Company hold similar positions with Farm Bureau Town & Country Insurance Company of Missouri, and were required to report annual conflict of interest disclosures. The Company intends to employ a similar process.

Corporate Records

The Company's Articles of Incorporation have been approved by the Missouri Attorney General's Office. The Secretary of State's Office Issued a Certificate of Incorporation on August 17, 2005. The Company's bylaws have been reviewed, and nothing unusual was noted.

AFFILIATED COMPANIES

Holding Company, Subsidiaries and Affiliates

Farm Bureau New Horizons Insurance Company of Missouri is a member of an insurance holding company system as defined by Section 382.010 RSMo (Insurance Holding Companies - Definitions).

Pursuant to Section 382.100 RSMo (Insurance Holding Companies - Registration), every insurer that is subject to registration shall file a holding company statement within fifteen days after it becomes subject to registration and annually thereafter by March first.

The Company submitted an Insurance Holding Company System Registration Statement with its application.

Organization

The following summary illustrates the ownership and affiliates of the company:

Missouri Farm Bureau Federation – Parent

Missouri Farm Bureau Services, Inc., - wholly owned

Missouri Agricultural Marketing Association, Inc – wholly owned

Farm Bureau Life Insurance Company of Missouri – wholly owned

Farm Bureau Town & Country Insurance Company of Missouri – wholly owned

Missouri Farm Bureau Insurance Brokerage, Inc. – wholly owned

*Farm Bureau New Horizons Insurance Company of Missouri

*33% - Owned by FB Life Insurance Company of MO

*33% - Owned by FB Town & Country Insurance Company of MO

*33% - MO FB Insurance Brokerage, Inc.

Intercompany Transactions

The proposed inter-company service agreements are as follows.

1. Underwriting and Claims Service Agreement with Farm Bureau Town & Country.
2. Service Agreement with Missouri Farm Bureau Services, Inc.
3. Tax Allocation Agreement with FB Services, Inc., FB Town & Country, FB Life, MO Agricultural Marketing Association, and MO FB Insurance Brokerage, Inc.

It is recommended that these contracts be filed with the Missouri Department of Insurance for review prior to execution as provided for by Section 382.195 RSMo (Transactions within a Holding Company System). Although certain proposed agreements do not have to have prior approval by the Department, they may be disapproved within thirty days of the filing.

FIDELITY BOND AND OTHER INSURANCE

The Company is a named insured on policies of corporate risk coverage including a financial institution bond with a limit of \$2,000,000. Other forms of coverage include a general business commercial package, commercial umbrella & excess umbrella, fiduciary, and computer crime.

EMPLOYEE BENEFITS AND PENSION PLANS

The Company does not plan to have employees. Expenses incurred for operational services will be reimbursed by the Company under terms of the service agreements noted above.

STATUTORY DEPOSITS

Deposits with the State of Missouri

The funds deposited with the Missouri Department of Insurance as of September 30, 2005, are sufficient to meet the statutory deposit requirements for the state of Missouri as set forth by the provisions of Section 379.010 RSMo (Authorized lines of business; capital and surplus requirements).

The Company is required to maintain \$1,200,000 (measured as the lesser of par value or market value) of acceptable securities with the state of Missouri. The funds on deposit were as follows:

<u>Type of Security</u>	<u>Par Value</u>
U.S. Treasury Notes	<u>\$1,230,000</u>

Deposits with Other States

None

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operations

The Company will be authorized to write all lines of property and casualty insurance. New Horizons will focus primarily on property risks including homes and farms, personal property and associated personal and premises liability coverages.

The Company will complement Farm Bureau Town & Country by offering additional products and services, and coverage to the non-standard market through the existing captive agency force.

Policy Forms and Underwriting Practices

The Company has submitted policy forms to the Department for approval. Affiliates under operating agreements will perform underwriting, claims services and manage the premium process.

REINSURANCE

The Company has not yet executed any reinsurance agreements, although discussions are ongoing with reinsurers used by an affiliate, to arrange a reinsurance program for the Company. The Company will secure a combination of surplus share, catastrophe and excess of loss coverages.

ACCOUNTS AND RECORDS

All accounting information will be processed through existing systems operated by affiliated entities, as noted in the *Affiliated Companies* section above. The Company anticipates using the accounting firm of Williams Keepers LLC, of Jefferson City, Missouri as its independent auditor. That firm currently performs the audits of affiliated insurers.

FINANCIAL PROJECTIONS

The Company provided pro-forma financial statements projecting net operating income and increasing surplus throughout the three year planning horizon. These estimates appeared reasonable.

BALANCE SHEET

The balance sheet was prepared by the Company and assets were verified as a part of this examination.

BALANCE SHEET As of September 30, 2005

Assets	
Bonds	\$ 1,217,134
Cash	1,810,967
Short-term investments	<u>2,978,746</u>
Total Assets	<u>\$ 6,006,847</u>
Liabilities	
Payable to parent, subsidiaries and affiliates	<u>\$ 750</u>
Total Liabilities	<u>\$ 750</u>
Stockholders' Equity	
Capital Stock	\$ 1,200,000
Additional Paid-In Capital	4,800,000
Retained Earnings	<u>6,097</u>
Total Stockholders' Equity	<u>\$ 6,006,097</u>
Total Liabilities and Stockholders' Equity	<u>\$ 6,006,847</u>

GENERAL COMMENTS AND RECOMMENDATIONS

Intercompany Transactions – Page 5

It is recommended that these contracts be filed with the Missouri Department of Insurance for review prior to execution as provided for by Section 382.195 RSMo (Transactions within a Holding Company System).

SUBSEQUENT EVENTS

None.

CONCLUSION

It is recommended that Farm Bureau New Horizons Insurance Company of Missouri be issued a certificate of authority to transact business as a stock property and casualty insurance company in accordance with Chapter 379 RSMo.

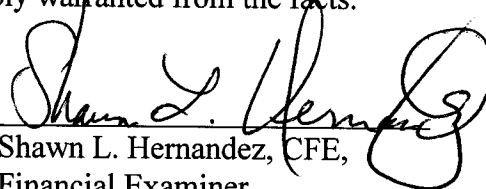
ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of the Company during the course of this pre-licensing examination is hereby acknowledged and appreciated.

VERIFICATION

State of Missouri)
County of Cole) ss

I, Shawn L. Hernandez, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records or other documents of the Company, its agents or other persons examined or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs and such conclusions and recommendations as found reasonably warranted from the facts.


Shawn L. Hernandez, CFE,
Financial Examiner
Missouri Department of Insurance

Sworn to and subscribed before me this 27th day of October, 2005.

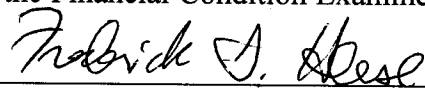
My commission expires:

May 1, 2008
Date
DEBBIE J. NOLKE
Notary Public - Notary Seal
STATE OF MISSOURI
County of Boone
My Commission Expires May 1, 2008


Notary Public

SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the Financial Condition Examiners Handbook has been confirmed.


Frederick Heese, CPA, CFE
Audit Manager
Missouri Department of Insurance